

**Little Hoover Commission Hearing
December 8, 2004**

**Statement of
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Mr. Chairman and Members of the Little Hoover Commission:

Thank you for the opportunity to appear before you today. My name is Anne Sheehan. I currently serve as the Chief Deputy Director for Policy at the Department of Finance. During the past few months, I have also had the opportunity to serve as the Executive Director for the California Performance Review Commission.

Given the focus of today's hearing, my comments will provide an overview of the public comment process facilitated by the CPR Commission. I will also highlight the public input that we received on CPR reorganization proposals and give a brief overview of the Commission's consensus recommendations related to those proposals.

Overview of CPR Commission and Public Hearing Process

Following the release of the CPR report last August, Governor Schwarzenegger formed the CPR Commission, an independent and bi-partisan commission consisting of leaders in the public, private, and non-profit sectors. The Commission was asked to conduct a series of public hearings on the CPR report, to gather a breadth of public opinion on CPR recommendations, and to ultimately report their findings to the Governor.

Between August and October 2004, the Commission held eight public hearings throughout the state. Each hearing focused on a specific subject area, ranging from infrastructure to education, public safety, and government reorganization. As a part of the hearing process, over 100 subject matter experts from a variety of fields presented their views and perspectives on CPR recommendations. The general public also had an opportunity to share their thoughts during the public comment period of each hearing.

In addition, people representing all facets of California life provided their comments via the CPR website, e-mail, letters, and other written testimony. In total, the Commission received over 3,600 oral and written comments on CPR findings and recommendations.

Following the hearing process, the CPR Commission developed two reports. The first report, "The Public Perspective," summarizes public input on specific CPR recommendations. The second report, "The Commission's Perspective," summarizes the consensus policy and reorganization recommendations of the CPR Commission.

Public Comment on Reorganization/Boards and Commissions

The reorganization proposals of the CPR report – both the proposed consolidation of state functions into 11 integrated departments and the proposed elimination of over 100 boards and commissions – were the subject of significant public comment. In total, we received over 1600 comments on these two areas.

Reorganization

Public comment on CPR proposals to restructure state government often touched on one of two themes: (1) the need for additional detail in the reorganization proposals, and (2) the importance of strategically, and cautiously, consolidating state functions.

In general, public comment received by the Commission expressed support for the idea of a streamlined, responsive government. At the same time, many comments shared concerns that the CPR report lacked sufficient detail to adequately analyze or respond to the proposed reorganization. These comments asked for further explanation of the new organizational structure and its impact on operations, program administration, and existing employees. Comments also sought further explanation of how reorganization will lead to greater efficiency and accountability.

The Commission also heard a public interest in consolidating state entities based on similar and overlapping functions. This support for reorganization, however, was tempered by comments that the proposed organization should be based on substantive, not superficial, commonalities. Some comments suggested alternate placements of state functions and programs in the new organization chart. We also heard suggestions that too much consolidation could result in a large bureaucracy, reduce specialized expertise, lead to less informed decision-making, and allow some programs to take priority over others.

Boards and Commissions

In the context of boards and commissions, the majority of public comment advocated for the continued existence of a specific board or commission. These comments generally reinforced the public's perception that boards and commission provide an open forum to participate in government decision-making. In more than one instance, we heard concerns that eliminating an entity could limit public access, decrease public input on policy recommendations, and reduce transparency.

We also heard that many boards bring a necessary independence and specialized knowledge to activities and functions. In some instances, it was suggested that the elimination of a board or commission would diminish both the integrity of the decision-making process and the expertise necessary to perform board functions.

Finally, many comments suggested that the minimal state cost associated with some boards and commissions are outweighed by the public benefit provided by those entities. In many instances, public comment highlighted those boards and commissions that have limited per diems, bring in federal funding, or are self-funded through user and other fees.

Consensus Recommendations of CPR Commission

In addition to summarizing the public comment received on the CPR report, the Commission developed several consensus policy and reorganization recommendations at its final hearing in October. Since a copy of the Commission's report has already been provided to you, I will only give a brief overview these recommendations.

To begin, it should be noted that the Commission's recommendations were developed with the underlying goals of the California Performance Review in mind. These guiding principles include:

- **Make Government More Accountable:** State government should be structured so that the operating agencies are empowered to complete their missions and goals and accountable for the decisions that are made.
- **Put the People First:** State government should be easily accessible and provide quality services to all residents of the state.
- **Streamline Operations:** State government programs should operate efficiently and minimize unnecessary complexity.
- **Save State Dollars:** State government should be accountable for every tax dollar spent and should provide best services at minimal costs/

Reorganization

With a few exceptions, the Commission supported, in concept, the major reorganization proposals made by the CPR team. As noted in the Commission's report, reorganization proposals supported by the Commission include:

- **Creating an Infrastructure Department** that has responsibility for planning and prioritizing the state's capital infrastructure needs, including water, energy, transportation, housing, and other state capital needs.
- **Establishing an Office of Management and Budget (OMB)** that centralizes cross-functional policy development and budgeting capabilities. The Commission, however, recommended that management of day-to-day operations be administered under a Chief Operating Officer under a Business Services Division within the Department of Commerce and Consumer Protection.
- **Consolidating tax administration functions** in order to streamline processes and enhance operations. The Commission supported an elected appellate body for tax adjudication functions, while recommending further study to determine the appropriate governing structure for other tax collection activities.
- **Consolidating state corrections functions** into a single department. The Commission also supported the concept of a citizen oversight commission, recommending that commission provide advisory support to the department director and not be given administrative authority.

In the area of education, the Commission felt that CPR recommendations did not address fundamental governance issues related to public schools and instead suggested that the Governor appoint a small taskforce to recommend a clear governance structure for elementary and secondary education. The Commission also suggested that the Board of Governors and the Chancellor's Office of the California Community Colleges, as well as the Student Aid Commission, be retained.

The Commission further recommended that reorganization of the Health and Human Services Agency should be coordinated with or postponed until HHS program reforms and realignment are completed. The outcomes of these reform and realignment discussions could then be used to determine the exact agency structure.

Boards and Commissions

The Commission proposed several criteria to evaluate those boards and commissions proposed for elimination. As a part of this review, the Commission recommended consideration of whether a board or commission:

- **Serves a statewide interest.** Boards and commissions strictly serving a local function should be eliminated and/or transferred to local agencies or converted to a local non-profit agency or public-private corporation.
- **Ensures consistent application of law and development of regulations.** Boards and commissions, such as the Air Resources Board, should be structured to ensure that rules and regulations are uniformly applied across the state.
- **Preserves independence when needed.** The structure of some boards and commission is sometimes critical for their functions, such as for quasi-judicial or appellate responsibilities, and can provide independence when needed.
- **Protects public health and safety.** These boards regulate requirements for public safety in providing services, i.e. health professionals.
- **Enables receipt of federal funds.** Some boards and commissions, such as Heart Disease and Stroke Prevention and Treatment Task Force, enable the state to receive federal funds.

In addition to functional criteria, the Commission offered some operational criteria for boards and commissions.

- **Some statutory boards and commissions could be transitioned to advisory boards that are appointed by agency secretaries and department directors.** In some cases, board and commission members can be best selected by agencies and departments and do not require gubernatorial approval.
- **Pay should correlate to the time that individuals actually work on board issues.** Board members who work a few days a month or less should not be paid a full-time salary but rather a per diem, or paid reduced compensation based on workload.
- **Boards and commissions should not have line operational functions.** Unless otherwise mandated, boards and commissions should be limited to the roles outlined earlier and should not have direct line control over operations.

The Commission also recommended that all boards and commissions should be contained within a cabinet agency, department or under a constitutional officer with a consolidation of administrative services, as well as a periodic review of all boards and commissions to ensure that the original purpose for their creation still exists.

Conclusion

In closing, I thank you for your time. I look forward to working with you as the CPR proposals continue to be evaluated and am happy to answer any questions.